Executive Registry
68-2770

Supplementary Deferred Compensation

Premises

1. Congress has given a 3.75% greater annuity multiplier to employees under the CIA Retirement System in return for mandatory retirement at age 60, disciplined obligation to serve as required, hardships, and hazard. (Congress also gave the privilege of retirement at age 50 - a costly benefit even though not widely used so far.)

2. CIA's age 60 retirement policy for employees in the Civil Service Retirement System is an impingement upon normal Government employee career employment expectations (if not rights), dictated by the special needs of the Agency and, therefore, deserving of compensation to employees affected.

3. Compensation granted must be considerably less than that afforded those in the CIARS, i.e., somewhere between 0 and 3.75%.

Examples if equivalent of a 1 or 2% increase in annuity multiplier were granted.

Example 1 - Male employee - high five salary $10,000, 30 years of service

1% x $10,000 (high five)=$100/year
2% x $10,000 (high five)=$200/year

Without survivorship benefits

A $100 annuity would cost $\frac{100}{1000}$ x $12,182* = $1218

A $200 annuity would cost $\frac{200}{1000}$ x $12,182* = $2436

With 55% survivorship benefits

A $100 annuity would cost $\frac{100}{1000}$ x $14,557* = $1456

A $200 annuity would cost $\frac{200}{1000}$ x $14,557* = $2811

*Per the [redacted] Letter of 29 May 1968

Cost of $1000 paid up annuity at age 60, male

25X1A

Example 2 - Male employee - high five salary $20,000, 30 years of service

1% x $20,000 (high five) = $200/year
2% x $20,000 (high five) = $400/year

Without survivorship benefits

A $200 annuity would cost $\frac{200}{1000}$ x $12,182* = $2436
A $400 annuity would cost $\frac{400}{1000}$ x $12,182* = $4872

With 55% survivorship benefits

A $200 annuity would cost $\frac{200}{1000}$ x $14,557* = $2911
A $400 annuity would cost $\frac{400}{1000}$ x $14,557* = $5822

*Per the [redacted] Letter of 29 May 1968 25X1A
Cost of $1000 paid-up annuity at age 60 - male

Comments

1. Employees could be given option between paid up annuity or lump sum cash payment. Latter would be preferred choice of most employees. Former would reduce Agency costs if handled by controlled company.

2. Since high five salary is normally the final five years of employment, it would be logical and sound to accrue the desired amount of deferred compensation during the five years preceeding retirement date at a fixed percentage rate of compensation.

3. If the monies accrued are invested during the 5 year span, costs to the Agency could be reduced by the amount of interest received.

Comparisons

Employee in Example 1:

If under CIARS annuity would be 60% x $10, 000	=	$6000
If under Civil Service annuity would be 56.25% x $10, 000	=	5625
Difference		$ 375
If under Civil Service plus deferred compensation		
equivalent to 1%		$5725
equivalent to 2%		$5825

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Remarks:

You might be interested in this illustrative worksheet I prepared and sent to Personnel. If serious attention is given to "deferred compensation" for employees under Civil Service retiring at age 60, this type of computation will help in establishing the appropriate "rate" and in developing cost estimates. There will, of course, be tremendous savings both in salary and annuity costs. I urge serious consideration.

[redacted]

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I'm not sure I understand the deferred compensation plan — I assume it would require legislation — if so, don't hold your breath.

Please be cautious about writing papers which imply that we are depriving people of their rights. We don't want our policy to come unstuck again.

[redacted]

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